

Message Text

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65

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

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TAS: EFIN, UY

SUBJECT: NEW DEVELOPMENTS IN MONETARY REFORM

1. IN THE PAST SEVERAL DAYS, THE CENTRAL BANK HAS ADOPTED NEW MEASURES EVIDENCING GOVERNMENT TERMINATION TO CONTINUE ITS POLICY OF MONETARY REFORM. ON FRIDAY, NOVEMBER 26, THE CENTRAL BANK ISSUED CIRCULAR 790 (COPY BEING POUCHED) WHICH SETS MAXIMUM INTEREST RATES, AUTHORIZES THE BANKING SYSTEM TO READJUST LOANS, DEPOSITS OR OTHER FINANCIAL TRANSACTIONS STARTING JANUARY 1, 1977, AND REMOVES EXISTING RESTRICTIONS ON PAYMENT OF INTEREST ON CHECKING ACCOUNTS. THESE LIBERALIZING MEASURES SHOULD LEAD TO A MORE COMPETITIVE AND DYNAMIC BANKING SYSTEM.

2. ON MONDAY, NOVEMBER 29, THE CENTRAL BANK ANNOUNCED A NEW MINI-DEVALUATION OF THE COMMERCIAL EXCHANGE RATE OF 2.24 PERCENT WHICH SET THE COMMERCIAL AND FINANCIAL RATES AT ABOUT THE SAME LEVELS FOR THE FIRST TIME SINCE MINI-DEVALUATIONS WERE STARTED IN 1972. AFTER THE LAST DEVALUATION, THE COMMERCIAL RATE WAS SET AT NP3.92 (BUY) AND NP3.96 (SELL) AND THE CORRESPONDING FLOATING FINANCIAL RATE STOOD AT P3.95/3.95.

3. COMMENT: THESE TWO MOVES, COMING CLOSE TOGETHER, SERVE TO UNDERLINE THE CONTINUITY OF OUR ECONOMIC POLICY, PARTICULARLY IN RESPECT TO REFORM AND LIBERALIZATION OF THE MONETARY SYSTEM.

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THE AUTHORIZATION FOR READJUSTABILITY OF COMMERCIAL BANKING

TRANSACTIONS, THE ELIMINATION OF RESTRICTIONS WHICH HAVE REDUCED
COMPETITION IN THE BANKING SYSTEM, AND THE PRATICAL UNIFICATION
OF EXCHANGE RATES HAVE LONG BEEN ANNOUNCED GOALS OF GO POLICY
SET BY FOMER MINISTER OF ECNOMY VEGH VILLEGAS.
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Message Attributes

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